

Analysis and Justification of Programs

24.1. Analysis of changes in requirements.

The justification of each appropriation or fund account will begin with a statement relating the estimate to past and current year requirements. This statement will follow the form of exhibit 24, unless a different presentation is requested by OMB representatives. Smaller agencies will prepare a similar statement for the agency as a whole.

The analysis of changes in budget authority and outlays will begin with the amount for the past year. Changes from the past year to the current year, and from the current year to the budget year will be shown under the headings listed below, with a brief explanation of each entry. Significant items should be shown separately; small items may be grouped as "Other decreases" (or increases). Where changes are related to major program, management, or budget issues, the stub entry should so indicate. Changes resulting in current year supplemental estimates will be shown separately, and identified in the stub column.

Decreases will be listed under the following headings:

Automatic (nonpolicy).—Decreases in workload and nonrecurring items from the previous year, including full amounts provided for construction, major equipment purchases, etc.

Management improvements.—Cost reduction savings, increased productivity, organizational improvements, etc. Significant savings will be shown as separate line items, stated as the difference in the savings from year to year for the 3 years covered by the September management improvement report required by OMB Circular No. A-44 (Revised).

Program decreases.—Reductions in the quality or quantity of program activities.

Financing changes.—Activities to be financed by another agency or program in the succeeding year.

Increases will be listed under the following headings:

Administration commitments.—Program increases to which the President has publicly and specifically committed the Administration.

Automatic (nonpolicy).—Increased pay costs, other mandatory costs, and workload increases over which the agency has no control under existing law and policy.

Program increases.—All discretionary program increases. Identify applicable supporting justification memoranda and analyses, and/or proposed legislation, as applicable. Include annualization costs of activities begun or expanded in the current year over which the agency exercises control.

Financing changes.—Activities financed by another agency or program in the preceding year.

Where a new program operates on a part year basis in either the current or budget year, or when an increase in level is applicable to only part of a year, the amount required for operation for a full year should be shown as a parenthetical entry in the stub column.

24.2. Justification of programs and financing.

A written justification will be provided for each budget submission. The justification will include supporting memoranda and related analytic studies, where appropriate, in explanation of major program issues and related changes in the estimates.

Agencies are encouraged to consult with OMB representatives in the development of program proposals, and related justification material and exhibits not specifically provided herein, in order to adequately present the programs and financial requirements. To the maximum extent possible, such justification should present summaries of operational plans covering both the inputs and outputs required for implementing program objectives and exercising managerial control at agency levels.

To be useful, a written justification must be understood by all reviewers. Agencies should consider the fact that the period available for budget review is short, and the time available does not permit exhaustive study of a mass of text to sift out the essential elements of the case for the proposed estimate. All major issues and changes should be covered, but in concise, specific language.

The narrative justification, supporting memoranda, and related analytic studies should, to the maximum extent possible, particularly in the case of new programs, cover the following subjects:

(a) *The objectives of the program(s) financed by the appropriation or fund.* A precise statement of the objectives of each program, directed to the budget year, but covering future year implications if significant, and specifically covering the:

(1) *Statutory authority*, including a description of any new legislative authorization required.

(2) *National problem* to which the program is directed and an indication of how the program helps solve the problem.

(3) *Magnitude of need*, including estimates of the total resources required to meet the problem, and the funding needed for the specific portion of the problem to which the program is directed. The economic, social, and other characteristics of the problem should be stated, together with an

analysis of the extent to which the need is met by the current program. If either the present program coverage or the magnitude of need is expected to change significantly within the next 5 years, additional data should be supplied.

(4) *Reasons for Federal action*, explaining any enlarged or proposed new Federal action in terms of the inability or unwillingness of State, local, and private interests to resolve the problem.

(5) *Program benefits*, describing what specific benefits accrue to identifiable groups, institutions, or areas, etc., the nature and extent of those benefits, and the advantage to the nation. The narrative should include such additional detailed information as may be necessary to provide adequate explanation.

(b) *Proposed plans for achieving the objectives*. The methods chosen to achieve the objectives, and the reasons for choosing them, should be clearly explained. The explanation should cover:

(1) *Alternatives considered*, their relative benefits and costs, and the reasons for selecting the recommended program level.

(2) *Effectiveness* of the present program or expected effectiveness of the proposed increase or new program. This should include identification of past or on-going analyses of performance/effectiveness and cost/effectiveness, and their specific findings. If cost/effectiveness measures are not available, or such analysis is not under way, this should be explicitly stated, and the reasons therefor. Comparisons with returns from related on-going programs should also be included.

(3) *Relationship* of the program (especially if it is new or enlarged) to other programs, including proposed measures to improve coordination and increase flexibility of action.

(4) *Constraints* on the program other than funds, e.g., limitations of manpower, facilities, or existing organizational, institutional, procedural, or other factors. Identify any special geographic implications.

(c) *Derivation of requested appropriation*. The justification for estimated appropriations required to achieve recommended objectives should cover the following:

(1) *Outputs or workloads and costs*, showing for the 3 years covered in the budget the outputs or performance measures, cost per unit of output or work, and total costs. If possible, factors such as production per employee, or ultimate effectiveness measures should be included. As a minimum requirement for measurable work, standards based on statistical procedures will be used to develop productivity trends and to express the relationship between workload and manpower requirements

(see Executive Management Bulletin, dated April 1970, entitled "Analyzing Manpower Requirements Using Statistical Estimates").

(2) *Basis for distribution of funds* (i.e., formulas or principles for allocation, matching, the awarding of loans, grants, or contracts, etc.) and data on resulting geographic distribution (e.g., by State, etc.) with identification of any issues.

The justification for an appropriation or fund will be organized in the most meaningful manner—generally in the sequence of the schedule of program and financing. For each activity where practicable, a subsidiary breakdown should set forth personnel compensation, other current expenses, and capital outlay. Where budget activities and organizational units do not coincide, there shall be included: a cross-classifying table which will show organizational totals and how they are distributed by activities, an explanation of the basis for distributing such charges, and such additional explanation as may be needed to justify the size and financial requirements of each organizational unit.

24.3 Use of work measurement, unit costs, and productivity indexes.

Work measurement, unit costs, and productivity indexes should be used to the maximum extent practicable in justifying staffing requirements for measurable workload. The agency should be prepared, upon request, to submit detailed analyses of workload, manpower, and productivity trends in support of budget estimates.

Properly developed *work measurement* procedures should be used to produce estimates of the man-hours per unit of workload, such as the man-hours per claim adjudicated, man-hours per man maintained in the field, man-hours per infested acre of pest control, etc., depending on the nature of the agency programs. These estimates should represent an acceptable level of performance based on current realistic time standards. If the agency does not have a work measurement system that provides this type of information, the use of statistical techniques based on historical manpower input and work outputs may be used.

Unit costs relate the volume of work to the funds required to produce the work. Unit costs may include, in addition to personnel costs, the costs of supplies, travel, equipment, etc. Thus, unit costs reflect the ratio of personnel, materials, travel and other costs to the output produced, and will be stated in the dollars (or cents) required to produce a unit of work. When unit costs include personnel costs, work measurement should be used to support the acceptability of this component.

Productivity indexes are based on the ratio of total output to resource input. Output measures are based on the volume of product or services produced for use outside the organization, with due allowance for differences in the nature of individual products or services. Measures of input may be based on the amount of manpower alone, on manpower costs, or on a more comprehensive measure of resource inputs which includes nonlabor costs.

Whenever any trends in the actual years are reversed in the estimate years, the justification shall deal with the reasons therefor. Changes in unit cost or productivity attributable to the agency cost reduction program will be separately identified.

Agencies are to extend the use of work measurement and unit cost analysis to both common service activities and program activities. Usually, productivity indexes are based on organization-wide totals of both outputs and inputs, thus already covering both direct and indirect costs. The OMB will, to the extent possible, assist agencies in the establishment or improvement of work measurement and productivity analysis systems.

24.4. Use of tables, charts, and graphs.

The presentation of data is important because much of the effort which has gone into the collection and compilation of the data will be lost if it is not presented clearly and effectively. Tables, charts, graphs, maps, and other visual aids can frequently be designed to replace lengthy textual explanations.

Such material should be included, however, only when it will assist the presentation of the justification. Tables, charts, and graphs should be coordinated with the text, and so arranged as to emphasize the most significant facts and relationships.

24.5. Explanations relating to supplemental estimates.

When the need for a supplemental appropriation is forecast in accordance with sections 11.6 and 13.2, a separate justification will be required. The justification will set forth fully the need for the additional appropriations, the reasons for their omission from the regular estimates of the year concerned, and the reasons why it is considered essential that the additional appropriation be granted during the year instead of obtaining the money in a regular appropriation the following year. The explanation of the forecast submitted at this time will not supplant the justification of the supplemental estimate itself when it is formally submitted later.

For anticipated supplementals in the current year to meet the cost of pay increases, the justification should identify, for each appropriation or fund, the total cost of the pay increases and the amount which

is being absorbed in accordance with related policy guidance, and explain any difference from information submitted with the apportionment request for the current year.

24.6. Additional requirements for certain programs.

The justification must identify amounts for the following items, and indicate the results of actions required:

(a) Fallout shelters in estimates for design and construction of Federal buildings. (Include a certification from Department of Defense for approved shelters or a statement that a shelter is not required—see section 13.5(f).)

(b) Construction of public works in the National Capital area. (Consultation with the National Capital Planning Commission is required—see section 11.5(a).)

(c) Structures in the District of Columbia which may affect the appearance of the city and other questions involving matters of art. (Consultation with the Commission of Fine Arts is required—see section 11.5(b).)

(d) Construction of nuclear research and test reactors. (A letter from the Atomic Energy Commission is required—see section 11.5(c); include a copy of the letter.)

(e) When the appropriations requested include funds to undertake a "new start" of commercial or industrial activity, the supporting budget justifications to the OMB shall include a statement showing that the "new start" is justified under paragraph 5 of OMB Circular No. A-76, and if the "new start" is justified for reasons of cost under paragraph 5e, a cost comparison analysis prepared in accordance with provisions of paragraph 6 of OMB Circular No. A-76.

(f) Estimates for the construction of new Federal buildings, structures, roads, or other facilities shall be accompanied by a statement providing the findings of the agency with respect to potential flood hazards in connection with the location of such facilities, as required by section 4 of Executive Order No. 11296.

(g) Estimates of obligations in excess of \$100,000 for purchase, condemnation, construction, or lease of any real property, other than in specified cases exempt under paragraph 5(c) of OMB Circular No. A-2, shall be accompanied by a statement from the General Services Administration providing GSA findings concerning the availability of existing Federal property holdings, optimum use of the property consistent with the policies of Executive Order No. 11508, and compliance with the provisions of OMB Circular No. A-2 (see section 13.5(e)).